

T-1292

W-IA-BIA-24-84

U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

REVIEW OF
INDIVIDUAL INDIAN MONEY ACCOUNT OPERATIONS
PHOENIX AREA OFFICE
BUREAU OF INDIAN AFFAIRS



**This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.**

DOI SOL

September 1984


DATE

The IIM system consists of two types of accounts:

1. Individual Indian accounts - These include supervised and unsupervised accounts. Supervised accounts are administered by the agencies for minors, individuals declared non compos mentis or under other legal disability, individuals determined to be in need of assistance with their financial affairs, and deceased Indians. Unsupervised accounts are administered for funds collected on behalf of individuals not covered by the above categories.


2. Special deposit accounts - These accounts are established for the temporary deposit of funds which cannot be credited to specific accounts or readily distributed. They include funds such as for advance deposits on leases or permits on trust or restricted Indian lands, advance payments or deposits required on timber or other natural resources sales from such Indian lands, deposits for rights of way over such Indian lands, and contract advance funds.

Except for contract advances, all IIM accounts are entitled to earn interest. Earnings from investments of IIM funds are summarized semiannually and distributed to individual accounts. The semiannual interest payment for the period ended March 31, 1983, (the last paid during fiscal year 1983) had an annualized effective yield of 12.36 percent.



--- During fiscal year 1983, the Pima Agency transferred eight deposits, totaling \$295,219, from a tribe's special deposit account to the tribe's IIM account. Because of time lapses between recording transfers out and transfers in, the deposits were not recorded in either account for periods of time averaging 12 days and resulted in lost interest of \$1,830. Pima recorded each transfer out of the special deposit account and submitted the required paperwork to PAO. PAO performed a paper transfer of the funds from the tribal special deposit account through the tribal Treasury trust fund account to the tribal IIM account, and notified Pima of the completed transaction. Upon receipt of the notice, Pima recorded the transferred deposits in the tribal IIM account.

Under the present system followed by PAO, all agencies, except the Colorado River Agency, mail all collections to PAO for deposit. At best, collections, if forwarded by the agencies on the same day received, are not deposited for 3 to 5 days. This does not meet Treasury requirements of daily deposits when deposits are in excess of \$1,000. IIM account holders lose interest earnings during the period collections are in transit for deposit, or, if the account holders withdraw the collections before deposit is effected, the Treasury must use other funds to pay the withdrawal. PAO should revise depositing procedures, perhaps through the use of local branch banks, to ensure proper depositing into the U.S. Treasury.



Recommendations

We recommend that the Assistant Secretary - Indian Affairs:

1. Require the PAO to ensure that all collections are forwarded for deposit daily, insofar as practical, or by the next working day at the latest.

2. Require the PAO to revise deposit procedures, including the use of local branch banks, in order to meet Treasury regulations requiring daily deposits.

BIA Response

Recommendation 1.

Field installations will again be directed to comply with the provision of 42 BIAM 3.9 forwarded on June 25, 1984.

Recommendation 2.

This recommendation would require a change in Bureau policy contained in 42 BIAM 3.9H. As an alternative, the Phoenix Area Office recommends the Bureau consider the establishment of procedures for the mailing of deposits by field installations directly to the designated bank for federal deposits located in Phoenix, Arizona. Effective date of deposit would be date of mailing.

7. NON-IIM ACCOUNTS

IIM and special deposit accounts are maintained for the voluntary deposit of tribal and individual funds and for the deposit of non-Indian and BIA funds. In our opinion, these accounts do not belong in the IIM system and should be closed out. In effect, BIA is providing these account holders with free banking services, while, in turn, paying higher interest rates than generally available through commercial banking facilities.

Voluntary Deposits

Voluntary deposits into IIM accounts are not to be accepted except to avoid substantial hardship according to 25 CFR 115.6. We found only one of the four agencies accepting voluntary deposits of individual funds; however, tribal funds were deposited into IIM or special deposit accounts at all four agencies.

Pima Agency accepted voluntary deposits from individuals and corporations. Agency personnel stated that they accepted deposits in order to obtain a higher interest rate than otherwise available to the depositor without tying up the funds for an excessive length of time, as would be the case at a commercial banking facility. Our review of individual Indian accounts disclosed four accounts that received voluntary deposits. There was no supporting documentation to substantiate any undue hardship that was avoided. We also found five IIM accounts established by voluntary deposits for tribal chartered corporations or tribal associations. Two corporations required two signatures be on all withdrawal applications for their "BIA savings account" just as may be done for a commercial bank account.

Tribal accounts maintained by the agencies ranged from one special deposit account at the Salt River Agency to 22 IIM accounts at the WNA. Purposes for which the accounts had been established included accounting for loan programs, special payroll, tribal operations, land purchase funds, tribal court fees, and other tribal contracts and funds. The following schedule lists by agency the number of tribal accounts maintained and total funds on deposit as of August 31, 1983:

<u>Agency</u>	<u>No. of Accounts</u>	<u>Amount on Deposit August 31, 1983</u>
Salt River	1	\$ 8,462
Pima	14	2,359,965
Western Nevada	22	126,395
Uintah and Ouray	<u>13</u>	<u>1,768,570</u>
Total	<u>50</u>	<u>\$4,263,392</u>

A PAO official stated that a tribal account is maintained for each tribe in order to transfer tribal trust funds from the Treasury to the tribe. He said that, through the IIM system, trust funds can be immediately issued to a tribe on request, but if a check must be issued from the Treasury there can be a delay of 14 or more days from date of request until the tribe receives their check. We do not believe that IIM was established for this purpose.

We consider all of these accounts to be voluntary in nature and constitute commercial banking services provided by BIA for the tribes. All trust funds of a tribe should be deposited by BIA into the appropriate Treasury trust fund accounts until requested by the tribe. All other funds due the tribes should be disbursed to them immediately. No further funds should be deposited into IIM for tribal budgets, loan programs, or payrolls. We cannot find any justification for tribal funds to be deposited into IIM accounts, other than temporarily into special deposits when proper distribution must be determined.

Other Non-IIM Accounts

We found special deposit accounts established for non-Indians and to account for BIA monies. Neither of these account types should be in the IIM system.

Non-Indian accounts were maintained at three of the four agencies we reviewed. The source of receipts deposited into the accounts was usually land lease payments that, through marriage, have been inherited by a non-Indian. When the whereabouts of the non-Indian was known the funds were usually paid directly to the individual without establishing an account, although we did find two special deposit accounts maintained for non-Indians from which disbursements were being made to them. When the non-Indian cannot be located, a special deposit account is established and the funds are deposited. Once established, little is done to clear the accounts. The following schedule lists the number of non-Indian accounts disclosed by our review:

Recommendations

We recommend that the Assistant Secretary - Indian Affairs:

1. Require that all tribal IIM and special deposit accounts be transferred to the appropriate U.S. Treasury trust fund or to the tribes and closeout of all accounts containing non-Indian or other non-IIM deposits.

2. Ensure that voluntary deposits are not accepted for deposit into IIM accounts except to avoid substantial hardship as required by 25 CFR 115.6, and require documentation supporting hardship avoided to be kept on file for any voluntary deposits accepted.

BIA Response

Recommendation 1.

Transfer of tribal trust funds to IIM accounts is currently accomplished on the date of maturing investments and/or deposit of tribal receipts and, in addition, provides administrative control of funds by Superintendent's pending budget/budget amendment approval. Awards have been made to tribes in those instances where the Bureau failed to maximize interest earnings. Area capability to transfer tribal trust funds by electronic funds transfer could be an alternate recommendation.

The Phoenix Area Office recommends continuance of tribal accounts in IIM for the purpose of advancing Tribal Trust funds and that provisions of 25 CFR 115.6 be complied with.

Recommendation 2.

Agencies will be directed to comply with the provisions of 25 CFR 115.6.

OIG Comments

BIA comments are not responsive to recommendation 1, making no specific statement as to action to be taken. PAO apparently partially responded with a counter recommendation. However, we do not agree with the PAO recommendation since the regulations do not state that tribal funds may be deposited in IIM for the purpose of transferring tribal trust funds, nor do the regulations define IIM accounts as those...belonging to tribes. And, the BIA response does not mention the other types of accounts which should be closed. We require additional response from BIA to resolve our recommendation.

Regarding recommendation 2, we request that BIA provide us with a copy of directives or other such documentation of actions taken before we clear this recommendation.